FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

MINUTES OF THE MEETING OF THE BOARD MEMBERS

November 15, 2004

Andrew M. Saul, Chairman of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on November 15, 2004, at 9:00 a.m., Eastern Time. The meeting was open to the public at the offices of SI International, 12012 Sunset Hills Road, Suite 800, Reston, VA. In attendance were Gordon J. Whiting of New York, member; Alejandro M. Sanchez of Florida, member; Gary A. Amelio, Executive Director; Elizabeth S. Woodruff, Secretary and General Counsel; David L. Black, Director, Accounting; Susan L. Smith, Acting Deputy Director, Administration; Lawrence E. Stiffler, Director, Automated Systems; Pamela-Jeanne Moran, Director, Benefits Services; Thomas J. Trabucco, Director, External Affairs; and James B. Petrick, Director, Investments. Also in attendance was a representative of the Department of Labor.

1. Approval of the minutes of the October 18, 2004, Board member meeting.

Mr. Saul entertained a motion for approval of the minutes of the open portion of the October 18, 2004, Board member meeting. The following motion was made, seconded, and adopted without objection:

> MOTION: That the minutes of the open portion of the Board member meeting held on October 18, 2004, be approved.

2. Thrift Savings Plan activity report by the Executive Director.

a. Life cycle funds.

Mr. Amelio announced that Mercer Investment Consulting, Inc., had been selected to assist in the development of life cycle funds for the TSP. Mercer, which was selected through a competitive procurement, has a successful history of assisting with the design and implementation of life cycle funds for both public and private sector retirement plans. Mr. Amelio

expects the communications consultant for the life cycle funds project will be selected shortly.

Mr. Sanchez asked whether the public response had been favorable to introduction of life cycle funds. Mr. Trabucco said that it had, particularly at the recent meeting of the Employee Thrift Advisory Council.

b. Legislation.

Thomas J. Trabucco, Director, External Affairs, advised the Board members that Congress had not yet acted on either of the bills that would eliminate TSP open seasons but that he expected the Senate bill to be taken up by the House this week. He reported that the primary distinction between the Senate and House bills was the cost of accelerating matching contributions. Mr. Saul reiterated that the Board members would be happy to take any action necessary to ensure that elimination of open seasons not lose momentum because of the cost of accelerating matching contributions.

c. GAO draft report.

Mr. Amelio advised the Board members that the Agency had received a draft report from the Government Accountability Office (GAO) regarding TSP customer service. He had responded with a letter explaining how the report was flawed. Subsequently, he received a call from GAO advising that, based on the Agency's comments, GAO intended to review and rework the report and submit a revised draft to the Agency for comment.

Mr. Sanchez asked whether the first draft report had been widely distributed; Mr. Trabucco explained that it had been distributed only to the Agency and to Senator Collins' staff. Mr. William Bailey, Department of Labor, stated that the DOL had also been given a draft but had not commented. Because it was only a working draft and therefore was pre-decisional, Mr. Trabucco did not expect there would be any further distribution.

d. Financial analysis of current vendors.

David L. Black, Director, Accounting, reported on his analysis of the current financial condition of Spherix, a TSP call center operator, and of SI International, Inc., a TSP systems contractor. Both, he reported, were in good financial condition. Susan L. Smith, Acting Deputy Director, Administra-

tion, explained the current practices of Government contracting offices in general, and of the Agency, specifically, in reviewing the financial status of contractors and potential contractors. Lawrence E. Stiffler, Director, Automated Systems, reviewed the options the Agency could adopt if a contractor, particularly one operating the call center, were to go out of business.

Mr. Saul recommended that the Board adopt a policy that the Agency perform a similar financial review, as reported by Mr. Black, of selected FRTIB contractors on a quarterly basis. Mr. Sanchez stated that he did not object to such a review but that he would also like to see wider contracting of services so as to protect the TSP from having too much reliance on one contractor.

After the discussion, the following resolution was made, seconded, and adopted by unanimous vote:

RESOLUTION

> RESOLVED that the Agency adopt a process to review, prior to contract award, the financial status of any company whose failure could have a material adverse affect on the day-to-day operations of the Thrift Savings Plan, and to monitor that company's financial status on a quarterly basis thereafter.

After adoption of the resolution, Mr. Saul stated that implementation of the policy was the responsibility of the Executive Director. He pointed out that certain business decisions, such as whether the Agency should rely on one company to operate both a primary and a back-up facility, would depend on the staff's analysis of the particular circumstances.

e. Automated systems report.

Mr. Larry Stiffler reported that the Agency had leased a disaster recovery facility in Pittsburgh, PA, that a mainframe had been purchased for the site, and that the tape system was ready to be installed. Mr. Stiffler said the site should be operational in January 2005. The new government-owned contractor-operated facility would permit the TSP to be up and

functioning in a maximum of two hours in the event of a disaster at the primary site.

Mr. Stiffler also discussed the decisions that would need to be made in the event that the Agency chose to replace the call center being operated by the National Finance Center, Department of Agriculture. Mr. Sanchez again expressed his opinion that, if another contractor replaced NFC, it should be a company other than Spherix, which operates the current parallel call facility. Mr. Amelio promised to look into all possibilities and options and to make a proposal to the Board regarding a recommended approach at the December Board meeting.

f. Accounting report.

Mr. Black explained that there might be a one-month delay, from February to March, in implementing the lock box project due to a delay in the Department of Treasury's procurement process.

g. Investments report.

James B. Petrick, Director, Investments, reported that there was another fair valuation in the I Fund at the end of October; otherwise the investment results for October were as usual. Mr. Saul pointed out that there had been an almost 50% increase in the size of the Plan since he, Mr. Whiting, and Mr. Sanchez came on the Board in December 2002.

3. Closed session.

On a vote taken by the Secretary before the meeting, the members closed the meeting for a discussion of internal personnel matters. Present during the closed portion of the meeting were the Board members, Mr. Amelio, Ms. Woodruff, and Ms. Smith.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chairman Saul adjourned the meeting at 11:33 a.m.

MOTION: That this meeting be adjourned.

Elizabeth S. Woodruff
Secretary

12/20/2004

NOTE: Heritage Reporting Corp. made a verbatim transcript of this meeting.